

## Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01  
DOE-11 STRE-00 /115 W  
-----060338 281019Z /11

R 280802Z FEB 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 5657  
USMISSION GENEVA  
AMEMBASSY SINGAPORE

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 3245

USMTN

SINGAPORE FOR HEGINBOTHAM AND BUTTON

E.O.11652: GDS  
TAGS: ETRD, JA, US  
SUBJECT: STRAUSS-USHIBA FOLLOW-UP: SUMMARY STATUS REPORT NO. 1

REF: (A) STATE 36503 (B) TOKYO 593

1. THE CURRENT STATUS OF UNDERTAKINGS CONTAINED IN THE  
STRAUSS-USHIBA JOINT STATEMENT OF JANUARY 13 1978 IS AS  
FOLLOWS:

2. INCREASED ECONOMIC GROWTH- JAPAN WILL ACHIEVE A HIGH,  
NON-INFLATIONARY RATE OF GROWTH AND REITERATES ITS 7 PER-  
CENT GROWTH TARGET FOR JFY-78: THE PRIME MINISTER AND  
CABINET OFFICIALS AFFIRMED THESE GOALS IN SPEECHES TO THE  
DIET IN JANUARY AND IN REPEATED STATEMENTS SINCE. THE  
JFY-78 BUDGET PENDING IN THE DIET IS DESIGNED TO PROMOTE  
GROWTH THROUGH RAPID GROWTH OF EXPENDITURES, PARTICULARLY  
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PUBLIC WORKS, AND DEFICIT SPENDING AT RECORD LEVELS  
FOR JAPAN. CONSIDERATION CANNOT BE GIVEN TO SUPPLE-  
MENTARY SPENDING AUTHORITY WHILE THE BASIC BUDGET  
IS BEFORE THE DIET, BUT THE GOJ WILL TAKE UP THAT  
OPTION IF THE NEED ARISES. FURTHER EASING OF MONE-  
TARY POLICY SEEMS LIKELY.

3. JAPAN'S CURRENT ACCOUNT SURPLUS WILL BE CONSIDERABLY REDUCED IN FY-78, AND THEREAFTER FURTHER EFFORTS TO REDUCE IT WILL BE CONTINUED, AIMING AT EQUILIBRIUM: THE OFFICIAL FORECAST FOR JAPAN'S CURRENT ACCOUNT SURPLUS IN JFY-78 IS \$6 BILLION, OR ROUGHLY ONE-HALF THE LEVEL LIKELY FOR JFY-77. JFY-78 BEGINS ON APRIL 1, AND IT IS TOO SOON TO COME TO ANY CONCLUSIONS, BUT REDUCING THE SURPLUS QUICKLY WILL BE A DIFFICULT TASK, AND MANY FORECASTERS ARE DOUBTFUL ABOUT IT. EFFORTS ARE UNDERWAY TO ACCELERATE THE EMERGENCY IMPORT PROGRAM.

4. TRADE OBJECTIVES -

(A) BASIC EQUITY IN THE U.S. -JAPAN TRADING RELATIONSHIP, (B) SECO, (C) PARITY IN OPENNESS OF BOTH U.S. AND JAPANESE MARKETS, AND (D) COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS: (SEE GENEVA 2905) JAPAN HAS SUBMITTED DETAILED OFFERS AT THE MTN COVERING TARIFFS AND MTNS. THEY DO NOT GO FAR ENOUGH, BUT THE NEGOTIATIONS ARE JUST WARMING UP.

5. MEASURES TO INCREASE JAPANESE IMPORTS OF MANUFACTURES IN TERMS OF TOTAL VALUE AND SHARE OF TOTAL IMPORTS:

THE JOINT U.S. -JAPAN TRADE FACILITATION COMMITTEE IS THE PRINCIPAL MECHANISM FOR ACHIEVING THIS GOAL. CONFIDENTIAL

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IT IS NOW FULLY ORGANIZED AND ACTIVE IN CONSIDERING IMMEDIATE PROBLEMS RELATING TO SPECIFIC PRODUCTS. ITS SUPPORTING AGENCY, THE JOINT U.S.-JAPAN TRADE STUDY GROUP IS ALSO INITIATING A SERIES OF LONGER TERMS STUDIES DESIGNED TO IDENTIFY AND EXPLOIT NEW EXPORT OPPORTUNITIES. SEE PARA 15 RE JAPAN IMPORT PROMOTION MISSION.

6. ADVANCE TARIFF CUTS EFFECTIVE APRIL 1, 1978: NECESSARY LEGISLATION IS PENDING IN THE DIET AND SHOULD PASS IN MARCH.

7. REMOVAL OF QUOTA CONTROLS ON TWELVE PRODUCTS: THERE ARE NO PROBLEMS ON LIBERALIZATION OF ELEVEN OF TWELVE QUOTAS. HOWEVER, THE FINANCE MINISTRY AND CUSTOMS ARE LOCKED IN COMBAT OVER DEFINITION OF "CUTTLEFISH". THEY HOPE TO HAVE ISSUE RESOLVED BY END OF MARCH AND WILL ANNOUNCE PACKAGE AT THAT TIME.

8. INCREASE IMPORTS OF HIGH QUALITY BEEF BY 10,000 MT IN JFY 78: A BEEF MISSION TO JAPAN

IS EXPECTED IN TOKYO WEEK OF MARCH 13. ADVANCE  
WORK ON SALES HAS BEGUN.

9. INCREASE IMPORTS OF ORANGES FROM 15,000 TO  
45,000 MT: QUOTA ALLOCATIONS AND LICENSING ARE  
BEING ARRANGED. SEE PARA 12 BELOW.

10. INCREASE IMPORT QUOTA FOR CITRUS JUICE TO  
4,000 MT: QUOTA ALLOCATIONS FOR ORAGNE AND GRAPE-  
FRUIT JOICE ARE EING ARRANGED. SEE PARA 12  
BELOW.

11. REVIEW FOREIGN EXCHANGE CONTROL SYSTEM, AND  
ANNOUNCE IMMEDIATE LIBERALIZATION MEASURES SOON:  
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THE MOF IS PREPARING TO CARRY OUT AN ELEVEN POINT  
PROGRAM TO EASE FOREIGN EXCHANGE CONTROL REGULATIONS  
EFFECTIVE APRIL 1.

12. ESTABLISH AN INTER-INDUSTRY CITRUS GROUP TO  
REPORT TO BOTH GOVERNMENTS BY NOVEMBER 1, 1978:  
JAPAN MEMBERSHIP OF GROUP IS BEING ESTABLISHED  
(SEE TOKYO 2678). MAF HAD ENVISIONED SEPARATE  
U.S. AND JAPANESE STUDY GROUPS BUT HAS NOW  
ACCEPTED U.S. POSITION THAT THIS SHOULD BE JOINT

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 3245

EFFORT. FIRST U.S. TEAM VISIT TO TOKYO WILL  
BE APRIL 3-5.

13. DISPATCH A FOREST PRODUCTS GROUP TO THE U.S.  
NORTHWEST TO EXPAND AND UPGRADE THIS TRADE: A  
PRELIMINARY FOREST PRODUCTS MISSION OF ABOUT  
12 REPRESENTATIVES WILL ARRIVE IN TOKYO ON MARCH 5  
TO DISCUSS LUMBER STANDARDS AND OTHER ISSUES. THIS  
GROUP WILL ALSO DISCUSS PLANS AND A SCHEDULE FOR A  
JAPANESE TEAM TO VISIT THE U.S. NORTHWEST.

14. DISPATCH MISSION TO U.S. TO EXPLORE PURCHASES  
OF ELECTRIC POWER PLANT EQUIPMENT: THIS MISSION  
DEPARTS MARCH 3 AS PART OF THE JAPAN IMPORT PROMOTION  
MISSION TO THE U.S.

15. DISPATCH OF A JAPANESE BUYING MISSION TOT THE  
U.S.: THE JAPANESE IMPORT PROMOTION MISSION TO THE  
U.S. CONSISTING OF SOME 90 MEMBERS WILL DEPART ON  
MARCH 2.

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16. JAPANESE CABINET DECISION TO INCREASE OPPOR-  
TUNITIES FOR FOREIGN SUPPLIERS UNDER GOVERNMENT  
PROCUREMENT: THE CABINET DECISION WAS MADE ON  
JANUARY 13. JAPAN'S MINISTRY OF LABOR HAS ORDERED  
TWO UNIVAC COMPUTERS FOR ITS EMPLOYMENT DATA  
BANK, OVERCOMING PREVIOUS PLANS TO BUY JAPANESE.

17. SIMPLIFICATION OF JAPANESE IMPORT INSPECTION  
REQUIREMENTS: THIS ISSUE IS BEING RAISED BY THE  
FOREIST PRODUCTS MISSION REGARDING LUMBER, AND IN  
MORE GENERAL TERMS IN THE TFC. SPECIFIC ACTIONS  
ARE UNDER STUDY.

18. EXPANSION OF JAPANESE IMPORT CREDITS: THE  
BUDGET REQUEST FOR FUNDS FOR THE JAPANE EXPORT IMPORT  
BANK'S IMPORT AND INVESTMENT FACILITY FOR FY1978  
HAS BEEN INCREASED; A NEW FOREIGN CURRENCY LENDING  
FACILITY TO FINANCE EMERGENCY IMPORTS HAS BEEN  
ESTABLISHED AT THE EXPORT IMPORT BANK; AND THE BANK  
OF JAPAN HAS INCREASED CREDIT AVAILABLE FOR IMPORT  
FINANCING.

19. RELAXED RULES FOR THE STANDARD METHOD OF SETTLEMENT: THE MOF HAS ANNOUNCED NEW RULES TO BE EFFECTIVE FROM MARCH 1. SEE TOKYO 3078.

20. COOPERATION IN INTERNATIONAL EFFORTS TO CURB EXCESSIVE COMPETITION IN EXPORT CREDITS: JAPAN HAS BEEN GENERALLY SUPPORTIVE OF THE U.S. POSITION IN THE RECENTLY CONCLUDED DISCUSSIONS IN PARIS OF A NEW EXPORT CREDIT CONSENSUS. THY FY1978 BUDGET REQUEST FOR FUNDS FOR JAPAN EXPORT IMPORT BANK EXPORT CREDIT  
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HAS BEEN HELD TO A MODEST INCREASE.

21. DOUBLE JAPANESE OFFICIAL DEVELOPMENT ASSISTANCE IN FIVE YEARS: JAPANESE ODA IN THE JFY-78 BUDGET IS 22 PERCENT HIGHER THAN IN FJY-77. THIS RATE OF INCREASE IS DESIGNED TO FACILITATE DOUBLING OF JAPAN'S ODA OVER A FIVE YEAR PERIOD.

22. GOJ WILL PURSUE A POLICY OF AID UNTYING: NEW CREDITS WILL BE UNTIED WHENEVER POSSIBLE.

23. REVIEW PROCEDURES INCREASED SUPPORT FOR THE TFC AND FUTURE MEETINGS AT VARIOUS LEVELS TO DISCUSS PROGRESS: THE TFC IS WORKING AND EFFECTIVE. THE TRADE STUDY GROUP UNDER IT HAS THE FULL SUPPORT OF U.S. BUSINESS AND JAPANESE AGENCIES. THE SECOND MEETING OF THE TFC SENIOR REVIEW GROUP WILL BE HELD IN WASHINGTON ON MARCH 13. STR STRAUSS AND MINISTER USHIBA WILL MEET IN EUROPE FOR FOLLOW-UP TALKS ON APRIL 10. A JOINT ECONOMIC PROJECTIONS STUDY GROUP MEETING IS PLANNED FOR PARIS IN MAY.

24. NOTES TO FIRST SUMMARY REPORT: THE STRAUSS-USHIBA STATEMENT INCLUDES SEVERAL UNDERTAKINGS BY THE U.S. WE WILL LEAVE MONITORING OF THEM TO THE JAPANESE. PARA 4 ABOVE ON JAPANESE SUPPORT FOR THE MTN DESCRIBES GOJ UNDERTAKINGS WHICH ARE AMONG THE MOST IMPORTANT IN THE STATEMENT. WE OFFER ONLY GENERAL COMMENT,

25. THIS SUMMARY WILL BE UPDATED FROM TIME TO TIME. IT IS INTENDED TO BE A HANDY REFERENCE; DETAILS WILL BE COVERED IN SPOT REPORTING. EMBASSY WELCOMES COMMENTS DESIGNED TO MAKE THIS REPORT MORE USEFUL TO END USERS.

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## Message Attributes

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